

EXHIBIT 14



UBS Investment Research

First Read: Luminent

4Q06 Report Card : LUM Beats; With Solid Credit Trends

■ 4Q06 Core Taxable EPS of \$0.34 Beats Consensus

4Q06 Core EPS was \$0.31 & 4Q06 Core Taxable EPS was \$0.34. 4Q6 core EPS adjusts for market to market on hedging, & 4Q06 Taxable EPS adjusts for final payments related to the internalization of management. 4Q06 Core Taxable EPS (the basis for the dividend) beat consensus of \$0.29 and matched UBS est of \$0.34. Qtr was strong all around with 39 bps spread expansion to 1.58% and strong credit trends.

■ Credit trends remain strong; interest rate risk remains low

Despite investor concerns about nonprime credit, LUM continues to buck the general trend. Although delinquencies were up 11 bps qqq to 54 bps, this is still less than half the industry average. Portfolio FICO scores were up 2 bps qqq to 713; LTV was down to 72.6% from 76%, 92% of portfolio is rated A credit or higher. Portfolio duration remains close to 0, with 89% of assets floating monthly.

■ 1Q07 securitization bodes well for 2007 Outlook

LUM 2007-1 securitization of \$700m (executed in Jan) was above \$500m guidance with high FICO score of 719 & record tight cost of LIBOR+ 16.5 bps. Given LUM's lower credit and rate risk vs. peers, we find current valuation of \$9.52 (vs \$9.86 BVPS) compelling as we believe current dividends are secure.

■ Valuation: Maintain Buy 2 rating and \$11.50 PT

Our \$11.50 PT is 1.1x our '07E BVPS, & forecasts a 50% chance LUM successfully manages credit risk.

Highlights (US\$m)	12/04	12/05	12/06E	12/07E	12/08E
Revenues	-	(69)	87	126	-
Pre-tax profits	-	(83)	45	70	-
Net income	-	(83)	45	70	-
EPS (UBS, US\$)	-	(2.00)	1.07	1.50	-
Net DPS (US\$)	-	0.77	0.85	1.20	-
Profitability & Valuation	5-yr hist. av.	12/05	12/06E	12/07E	12/08E
ROE %	-	20.7	10.4	14.1	-
P/Op x	-	-	9.9	6.4	-
P/BVPS x	-	1.0	1.0	0.8	-
PE (UBS) x	-	-	8.9	6.4	-
Net dividend yield %	-	7.9	8.9	12.6	-

Source: Company accounts, Thomson Financial, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.

Valuations: based on an average share price that year, (E) - based on a share price of US\$9.52 on 08 Feb 2007 19:39 EST

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Global Equity Research

Americas

Diversified Financial

Rating

Buy 2*

Unchanged

Price target

US\$11.50

Unchanged

Price

US\$9.52

RIC: LUM.N BBG: LUM US

9 February 2007

Trading data

52-wk. range	US\$10.84-7.35
Market cap.	US\$0.38bn
Shares o/s	40.1m
Free float	89%
Avg. daily volume ('000)	345
Avg. daily value (US\$m)	3.4

Balance sheet data 12/06E

Shareholders' equity	US\$0.46bn
P/BVPS x	1.0
Tier one capital ratio	-

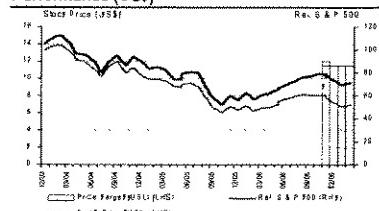
Forecast returns

Forecast price appreciation	+20.8%
Forecast dividend yield	11.6%
Forecast stock return	+32.4%
Market return assumption	9.9%
Forecast excess return	+22.5%

EPS (UBS, US\$)

	12/06E	12/05	Cons.	Actual
UBS	0.45	0.45	0.51	
Q1E	0.45	0.45	0.16	
Q2E	(0.17)	(0.17)	0.13	
Q3E	0.34	0.29	(2.79)	
12/06E	1.07	1.02		
12/07E	1.50	1.40		

Performance (US\$)



Source: UBS
www.ubs.com/investmentresearch

This report has been prepared by UBS Securities LLC

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 2

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*Exception to core rating bands; See page 3

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Luminent Mortgage Capital Inc 9 February 2007

■ Luminent Mortgage Capital Inc

Luminent Mortgage Capital, Inc., a Maryland corporation, is a REIT headquartered in San Francisco. The company was incorporated in April 2003 to invest primarily in U.S. agency and other highly rated, single-family, adjustable-rate, hybrid adjustable-rate, and fixed-rate mortgage-backed securities. In 2005, the company expanded its mortgage investment strategy to include mortgage loan origination and securitization, as well as investments in mortgage-backed securities that have credit ratings of lower than AAA.

■ Statement of Risk

Luminent's business is affected by the following economic and industry factors that may have a material adverse effect on its financial condition and results of operations: Interest rate trends and changes in the yield curve; rates of prepayment on mortgage loans and the mortgages underlying mortgage-backed securities; continued creditworthiness of the holders of mortgages underlying mortgage-related assets; and a highly competitive markets for investment opportunities;

In addition, several factors relating to Luminent specifically may also impact its financial condition and operating performance. These factors include: overall leverage of the investment portfolio; access to funding and adequate borrowing capacity; the ability to use derivatives to mitigate interest rate and prepayment risks; compliance with REIT requirements and the requirements to qualify for an exemption under the Investment Company Act of 1940; and management's ability to identify and respond to changes in the interest rate cycle and credit market.

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 6% above the MRA, higher degree of predictability	Buy 2	FSR is > 6% above the MRA, lower degree of predictability	Buy	44%	36%
Neutral 1	FSR is between -6% and 6% of the MRA, higher degree of predictability	Neutral 2	FSR is between -6% and 6% of the MRA, lower degree of predictability	Hold/Neutral	43%	36%
Reduce 1	FSR is > 6% below the MRA, higher degree of predictability	Reduce 2	FSR is > 6% below the MRA, lower degree of predictability	Sell	13%	26%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 31 December 2006.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Luminent Mortgage Capital Inc 9 February 2007

Companies mentioned

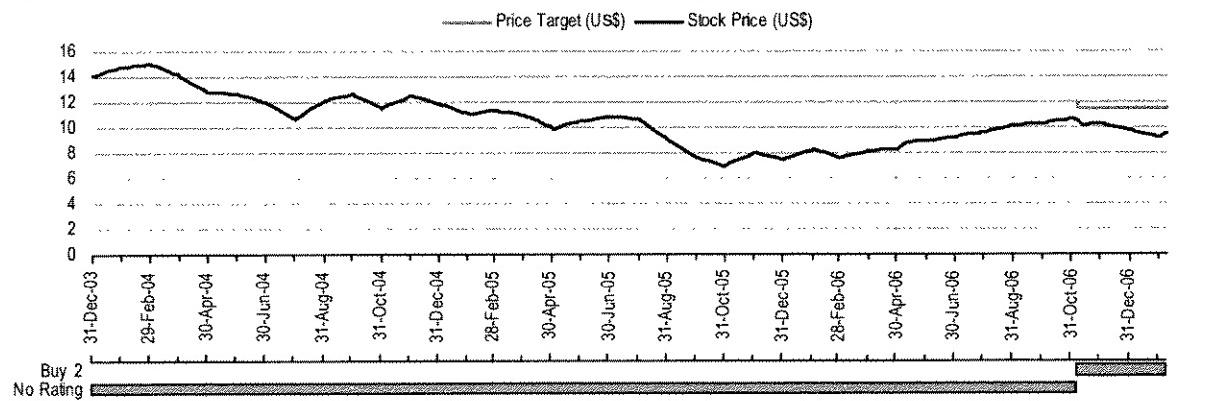
Company Name	Reuters	Rating	Price	Price date/time
Luminent ^{2,4,6a,6b,7,13,16,19}	LUM.N	Buy 2 (CBE)	US\$9.52	08 Feb 2007 19:39 EST

Source: UBS. EST: Eastern standard time.

- 2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
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- 13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
- 16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
- 19. Because UBS believes this security presents lower-than-normal risk, its rating is deemed Buy if the FSR exceeds the MRA by 5% and Reduce if the FSR is more than 5% below the MRA (compared with 6% and 6%, respectively, under the normal rating system).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Luminent Mortgage Capital Inc (US\$)



Source: UBS; as of 8 February 2007.

Luminent Mortgage Capital Inc 9 February 2007

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